

REPORT ON THE AUDIT OF THE
HARDIN COUNTY CLERK

KENNETH L. TABB, COUNTY CLERK

YEAR ENDED DECEMBER 31, 2008

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HARDIN COUNTY CLERK

For The Year Ended
December 31, 2008

Stiles, Carter & Associates, PSC, has completed the Hardin County Clerk's audit for the year ended December 31, 2008. Based on the audit work performed, the financial statements present fairly, in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Hardin County Clerk had total receipts of \$21,634,492, which was a \$1,287,523 decrease from the prior year. The clerk paid 25% of receipts to the county government fund in the amount of \$576,747. This was a decrease of \$29,460 from the prior year. In addition, operating disbursements increased by \$25,678.

Debt Obligations:

The Hardin County Clerk had no debt obligations at December 31, 2008.

Deposits:

The County Clerk's deposits were adequately insured and collateralized by bank securities as of December 31, 2008.

HARDIN COUNTY

KENNETH L. TABB, COUNTY CLERK

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YEAR ENDED DECEMBER 31, 2008

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THEODORE C. STILES, CPA
BENJAMIN E. CARTER, CPA
JOHN R. ASHCRAFT, CPA
J. SCOTT KISSELBAUGH, CPA
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STILES, CARTER & ASSOCIATES, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

www.stilescartercpas.com

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OF CPAs



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INDEPENDENT AUDITOR'S REPORT

Honorable Kenneth L. Tabb, Hardin County Clerk
Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2008. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2008, in conformity with the regulatory basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 17, 2009, on our consideration of Hardin County Clerk's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Kenneth L. Tabb, Hardin County Clerk
Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Stiles Carter + Associates

Certified Public Accountants
July 17, 2009

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

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YEAR ENDED DECEMBER 31, 2008

Revenues

State fees for services		\$	43,060
Fiscal court			26,020
Licenses and taxes:			
Motor vehicle-			
Licenses and transfers	3,218,446		
Usage tax	9,597,341		
Tangible personal property tax	6,647,708		
Licenses:			
Fish and game	3,259		
Marriage	34,810		
Occupational	5,747		
Deed transfer tax	297,609		
Delinquent taxes	918,984		20,723,904
Fees collected for services:			
Recordings-			
Deeds, easements and contracts	56,364		
Real estate mortgages	181,434		
Chattel mortgages and financing statements	286,368		
Releases	58,255		
Powers of attorney	9,834		
All other recordings	36,802		
Charges for other services:			
Copywork	15,912		
Inspection fees	15,640		
Notary fees	14,877		675,486
Other:			
Affordable Housing Trust Fund Fees	124,974		
Postage reimbursement	17,343		
Election expense reimbursement	250		
Election filing fees	2,020		
Miscellaneous	9,546		154,133
Interest earned			11,889
TOTAL REVENUES			<u>21,634,492</u>

(Continued next page)

The accompanying notes are an integral part of the financial statements.

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HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES-REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2008

(Concluded)

Expenditures

Payments to State:

Motor vehicle-

Licenses and transfers	\$ 2,215,717	
Usage tax	9,307,875	
Tangible personal property tax	2,461,150	

Licenses, taxes, and fees-

Fish and game	3,094	
Delinquent tax	647,933	
Legal process tax	99,897	
Affordable Housing Trust Fund Fees	124,974	\$14,860,640

Payments to Fiscal Court:

Tangible personal property tax	582,535	
Delinquent tax	12,437	
Deed transfer tax	269,443	
Occupational licenses	3,479	867,894

Payments to Other Districts:

Tangible personal property tax	3,296,052	
Delinquent tax	44,701	3,340,753

Payments to Sheriff

21,758

Payments to County Attorney

127,075

Total Expenditures

19,218,120

Net Revenues

2,416,372

Payments to State Treasurer:

75% Operating Fund	1,833,935	
25% County Fund	576,747	2,410,682

Balance due to State Treasurer:

75% Operating Fund	4,267	
25% County Fund	1,423	\$ 5,690

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY

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KENNETH L. TABB, COUNTY CLERK

STATEMENT OF REVENUES, EXPENDITURES, AND

FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND

AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

Calendar Year 2008

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2008	\$ 246,429	\$ -	\$ 246,429
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,833,935	-	1,833,935
Fees Paid to State - County Funds (25%)	-	576,747	576,747
Total Funds Available	2,080,364	576,747	2,657,111
<u>Expenditures</u>			
Hardin County Government	-	576,747	576,747
Personnel Services-			
Official's Statutory Maximum	100,456	-	100,456
County Clerk's Expense Allowance	3,600	-	3,600
Deputies Salaries	1,031,337	-	1,031,337
Employee Benefits-			
Employer Share Social Security	80,521	-	80,521
Employer Share Retirement	169,589	-	169,589
Employer's Paid Health Insurance	173,548	-	173,548
Training Fringe Benefit	3,525	-	3,525
Materials and Supplies-			
Office Furniture and Machines	1,298	-	1,298
Materials and Supplies	30,157	-	30,157
Other Charges-			
Dues and Convention Costs	5,876	-	5,876
Mileage and Other Travel	7,710	-	7,710
Postage	23,520	-	23,520
Equipment Maintenance	521	-	521
Repairs and Maintenance	6,204	-	6,204
Telephone	16,813	-	16,813
Miscellaneous	9,323	-	9,323
Election Expense	1,708	-	1,708
Insurance	9,895	-	9,895
Unemployment	7,341	-	7,341
Professional Fees	2,705	-	2,705
Capital Outlay-			
Office Equipment	2,025	-	2,025
Total Expenditures	1,687,672	576,747	2,264,419
Fund Balance - December 31, 2008	\$ 392,692	\$ -	\$ 392,692

HARDIN COUNTYKENNETH L. TABB, COUNTY CLERKNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2008NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES1) Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official utilizes a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

2) Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2008 services
- Reimbursements for 2008 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2008

3) Budget

The Clerk submits an annual budget to Hardin County Fiscal Court for review. The budget is adopted by the court before the year begins on January 1. Once approved, the budget can be amended when unexpected modifications are required. The budget is prepared on the cash basis of accounting. Revenues and expenditures are budgeted in the year the revenue/expenditure is expected. The Clerk does not use encumbrance accounting. Appropriations lapse at year-end.

(Continued next page)

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HARDIN COUNTY

KENNETH L. TABB, COUNTY CLERK

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4) Cash and Investments

The Clerk considers cash and cash equivalents to be demand deposits, money market funds, and other investments with an original maturity of 90 days or less.

At the direction of the fiscal court, Kentucky Revised Statute 66.480 authorizes the County Clerk to invest in the following including but not limited to, obligations of the United States and of its agencies and instrumentalities; obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States; obligations of any corporation of the United States government; bonds or certificates of indebtedness of the State of Kentucky; and certificates of deposits issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured by any obligation permitted by KRS 41.240(4).

NOTE B - EMPLOYEE RETIREMENT SYSTEM

The County Clerk and employees have elected to participate in the County Employee Retirement System pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees and provided for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees participating in CERS before September 1, 2008 are required to contribute 5.0 percent of their salary to the plan. The required rate for employees who begin participation on or after September 1, 2008 is 6.0 percent. The County Clerk contribution rate for nonhazardous employees at the close of 2008, 2007, and 2006 was 13.50, 16.17, and 13.19 percent respectfully. The total payroll for Hardin County Clerk for 2008, 2007, and 2006 was \$1,131,794, \$1,058,209, and \$1,169,647. Employer contributions to the retirement plan for 2008, 2007, and 2006 were \$169,589, \$151,105, and \$134,282 and employee contributions were \$54,345, \$55,104, and \$55,918. The amount of the contribution by the Clerk was equal to the annual required contribution.

Benefits fully vest after reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS'S progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record. This report may be obtained by writing to Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by telephone at (502)564-4646.

NOTE C - DEPOSITS

The County Clerk maintained deposits of public funds with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times.

(Continued next page)

HARDIN COUNTYKENNETH L. TABB, COUNTY CLERKNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2008NOTE C - DEPOSITS (Continued)

In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2008 the bank balance not covered by depository insurance was collateralized by securities held by the pledging financial institution.

NOTE D - LEASES

Hardin County Clerk is committed to a lease agreement with Hardin County Water District #1 for its Radcliff office. The agreement currently requires an annual payment of \$4,535 for office space and \$2,099 for the basement area and expires on December 31 of each year. Under the current contract the Clerk may continue to lease the property under yearly options to extend the lease through December 31, 2011. The amount expended by Fiscal Court under this lease for the year ended December 31, 2008, was \$6,634. The lease payment is made annually and was made in January 2008.

NOTE E - COMPENSATED ABSENCES

Employees of the Clerk are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. The Clerk's policy is to recognize the costs of compensated absences when actually paid to employees. Accordingly, no liability has been recorded in the accompanying financial statements.

NOTE F - ON-BEHALF PAYMENTS MADE BY FISCAL COURT

Fiscal court budgets a portion of the 25% county fund (Note A) to be spent on behalf of the Hardin County Clerk. During the year ended December 31, 2008, the amount of \$112,030 was spent on behalf of the Clerk's office. The expenditures included amounts for computer maintenance and support services, lease of the Radcliff office, rent of storage space in Elizabethtown, and miscellaneous office expenses.

NOTE G - GRANTS

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives in December 2008 for the amount of \$9,143. The ending balance of the account as of December 31, 2008 was \$9,143.

INTERNAL CONTROL
AND FISCAL COMPLIANCE

THEODORE C. STILES, CPA
BENJAMIN E. CARTER, CPA
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CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

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TELEPHONE 270/769-6371

FAX 270/765-7934

www.stilescartercpas.com

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Kenneth L. Tabb, Hardin County Clerk
Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

We have audited the financial statements - regulatory basis of the County Clerk of Hardin County, Kentucky for the year ended December 31, 2008, and have issued our report thereon dated July 17, 2009. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the County Clerk's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Kenneth L. Tabb, Hardin County Clerk
Honorable Harry L. Berry, Hardin County Judge/Executive
Members of the Hardin County Fiscal Court

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Clerk's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Hardin County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Stiles, Carter & Associates

Certified Public Accountants
July 17, 2009

THEODORE C. STILES, CPA
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ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

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Members of the Hardin County Fiscal Court

We have audited the statement of revenues and expenditures-regulatory basis of the County Clerk of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances-regulatory basis of County Clerk of Hardin County, Kentucky for the year ended December 31, 2008, and have issued our report thereon dated July 17, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 27, 2009. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hardin County Clerk are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2008. We noted no transactions entered into by the Hardin County Clerk during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were not material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 17, 2009.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Hardin County Clerk's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than those specified parties.

Stiles, Carter + Associates

Certified Public Accountants
July 17, 2009